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July 11, 2003

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

Re: D.T.E. 03-40, Boston Gas Company d/b/a Keyspan Energy Delivery New England

Dear Secretary Cottrell

Enclosed for filing in the above-referenced docket, please find Bay State Gas Company's ("BSG") First Set of Information Requests propounded on the Commonwealth of Massachusetts Office of the Attorney General.

Thank you for your attention.

Sincerely,



Patricia M. French
Senior Attorney

Enclosure

cc: Stephen Bryant, Vice President

CERTIFICATION

I, Patricia M. French, hereby certify that I have served a copy of the within on each of the individuals on the service list on file for DTE 03-40 as maintained by the Secretary of the Department of Telecommunications and Energy.

Dated at Westborough, Massachusetts, this 11th day of July, 2003.



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July 11, 2003

Alexander J. Cochis
Assistant Attorney General
Office of the Attorney General
200 Portland Street
Boston, MA 02114

Re: D.T.E. 03-40, Boston Gas Company d/b/a Keyspan Energy Delivery New England

Dear Attorney Cochis:

Enclosed for filing in the above-referenced docket, please find Bay State Gas Company's ("BSG") First Set of Information Requests.

Thank you for your attention.

Sincerely,



Patricia M. French
Senior Attorney

Enclosure

cc: John J. Geary, Hearing Officer
Jeanne Voveris, Hearing Officer
Sean Hanley, Assistant Director Rates and Revenue Requirements
Paul E. Osborne, Assistant Director Rates and Revenue Requirements
A. John Sullivan, Rates and Revenue Requirements Division (2 copies)
Andreas Thanos, Assistant Director
Cheryl M. Kimball, Esq.
Edward G. Bohlen, Assistant Attorney General
Michelle Cataldo (2 copies)
Carol R. Wasserman, Esq.
Stephen Bryant, Vice President
Service List

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

**FIRST SET OF INFORMATION REQUESTS OF
BAY STATE GAS COMPANY PROPOUNDED ON
THE ATTORNEY GENERAL**

D.T.E. 03-40

Pursuant to 220 C.M.R. 1.06(b)(c), Bay State Gas Company ("BSG") submits to the Massachusetts Office of the Attorney General ("AG") the following information requests.

DEFINITIONS AND INSTRUCTIONS

- 1 All responses should be provided separately, identifying the response number and the responsible witness.
- 2 All additional documents provided in response to the requests should identify the individual request to which they are responsive and be numbered in a sequential fashion.
- 3 The term "document" and "documents" includes all materials, as described herein, which are in the possession, custody or control of the respondent, regardless of the identity of the preparer and the present location of the document. The term "document" also includes, but is not limited to, correspondence, financial records, business records, reports, books, pamphlets, periodicals, newspapers and magazines and other publications and clippings therefrom, and all other writings, drawings, graphs, charts, photographs, other data compilations from which information can be obtained, any other tangible item upon which information is recorded, and any drafts of any of the foregoing that have been relied upon by the respondent or the responsible witness.
4. The term "relating to" any given subject means constituting, ascertaining, embodying, reflecting, identifying, stating, concerning, mentioning, referring to, dealing with or in any way pertaining to the subject. The terms "each", "all" or "any" also mean every.
5. If in answering the requests, any ambiguity in a definition or instruction, or within any of the requests for production of documents, please contact counsel for Bay State Gas Company for clarification regarding the matter deemed ambiguous, and set forth the construction the respondent is prepared to use in answering.
6. In the event that an objection should be raised to answering any question or producing any documents requested, state the precise ground(s) for the objection separately as to each discovery request.

7. With respect to any document responsive to the requests, or response itself, that is withheld from production on the ground that the document or any of its contents is privileged or otherwise not subject to production, please provide privilege log, including a description of each document over which privilege is claimed, stating therein:
 - (i) the author;
 - (ii) the date;
 - (iii) a generic description of the document (i.e., letter report, memorandum);
 - (iv) the subject matter of the document; and
 - (v) the privilege asserted or other alleged ground for non-production of the document.
8. As any portion of these requests that cannot be answered for any other reason, please state separately and precisely why the document cannot be otherwise produced, and state precisely what attempts have made to obtain the document(s) requested and the results of those efforts.
9. If any responsive document was in the respondent's or the responsible witnesses' possession, custody or control but has been disposed of, lost, discarded or destroyed, please identify each such document, specifying its author, addressee, date, subject matter, and describe the contents of the document.
10. Any terms not defined in these Instructions shall be given their ordinary meaning.
11. The terms "Boston Gas Company" or "Boston Gas" shall refer to the applicant before the Department in this proceeding.
12. The term "Department" shall refer to the Department of Telecommunications and Energy.
13. These requests shall be deemed continuing so as to require further supplemental responses if the Attorney General or its witnesses receive or generate additional information within the scope of these requests between the time of the original response and the close of the record in this proceeding.

**BAY STATE GAS COMPANY'S
FIRST SET OF INFORMATION REQUESTS
OF THE ATTORNEY GENERAL**

- BSG-1-1.** Please refer to the Prefiled Direct Testimony of Lee Smith ("Smith Testimony") at page 3, lines 6-10. Please list each and every PBR plan that Ms. Smith has studied to support the statements made here, including in her answer (a) the name of utility; (b) jurisdiction; (c) year the PBR was approved by the state commission; and (d) docket number.
- BSG-1-2.** Please refer to the Smith Testimony, page 5, line 27. Please state what is meant by "another PEG study" and provide a copy of it.
- BSG-1-3.** Please refer to the Smith Testimony, page 5, lines 28-30. Please explain in detail why Ms. Smith believes that if gas company costs are higher, the rate of change in productivity may not be affected. Please provide all supporting documentation.
- BSG-1-4.** Please refer to the Smith Testimony, pages 5-6, at lines 30-31 and 1-6, respectively. Please explain in detail Ms. Smith's basis for the statements that appear in that paragraph and provide all supporting documentation relied upon by Ms. Smith for each of the statements made.
- BSG-1-5.** Please refer to the Smith Testimony, page 6 at lines 18-22. Please reconcile the criticism of Dr. Kaufman's use of utilities in the Northeast with Ms. Smith's findings that utilities in the Northeast may have different costs than others nationwide, as presented at Smith Testimony, page 18, lines 23-24.
- BSG-1-6.** Please refer to the Smith Testimony, page 8, lines 1-3. If a "medium to long-term" review of productivity growth is necessary, please define what period in years Ms. Smith would consider reasonable. Provide all documentation that Ms. Smith relies upon in drawing this conclusion.
- BSG-1-7.** Please provide all documentation relied upon by Ms. Smith to support her statement that "most projections are that economic growth will be slower in the next five years" as stated on page 9, lines 3-5 of the Smith Testimony.
- BSG-1-8.** Please provide all documentation relied upon by Ms. Smith to support her statement that "[a]ll else being equal, the magnitude of this relative change [in gas prices as compared to oil] can be expected to lead to a reduction in gas use" as stated on page 10, lines 3-5 of the Smith Testimony.

BSG-1-9. Please refer to page 11, lines 28-30 and page 12, lines 1-2. (a) Please list the “many utilities in several states.” (b) Provide a detailed explanation and all documentation relied upon by Ms. Smith in her assertion that the components of delivery service are not “dramatically different” between gas and electric utilities. (c) Please provide in list form each and every difference, if any, between the components of delivery service for natural gas and that for electricity.

BSG-1-10. Please refer to page 12, lines 9-11 of the Smith Testimony. Please provide a list of every state commission, of which Ms. Smith is aware, that assumes that absent a PBR the productivity factors for a regulated gas utility are similar to the private sector, providing, at the minimum, (a) the name of utility; (b) jurisdiction; (c) year the PBR was approved by the state commission; and (d) docket number of relevant order.

BSG-1-11. Please refer to page 12, lines 13-19 of the Smith Testimony. (a) Is this list comprehensive? If not, what additional factors, if any, would contribute to productivity improvements? (b) In Ms. Smith’s view, do these differ from productivity improvements that may be available to the private sector? (c) What factors, in Ms. Smith’s estimation, exist that may contribute to increased costs for a regulated gas utility? (d) Is Ms. Smith aware of any trends at all that affect natural gas utilities that may cause increased costs at a rate faster than the general rate of inflation?

BSG-1-12. Please refer to the Smith Testimony at page 16. Please justify, providing with the explanation all supporting documentation, why Boston Gas’ consumer dividend would not be less in the 2nd five years? As part of her response, Ms. Smith should clearly state and justify her position as to whether the consumer dividend is sustainable each year over the long term.

BSG-1-13. In Ms. Smith’s opinion, are there efficiencies that Boston Gas would only pursue under a PBR setting? Please provide all information that supports Ms. Smith’s response.

BSG-1-14. In Ms. Smith’s opinion, is cost of service regulation a model that promotes efficiency? Please provide all information that supports Ms. Smith’s response.

BSG-1-15. Please see the Smith Testimony at page 18, lines 18-25. (a) Please discuss in greater detail Ms. Smith’s belief that construction costs are less expensive in the Northeast, providing specific examples and all supporting documentation. (b) Is Ms. Smith aware of any factors that make the construction for gas utilities associated with one more customer more expensive in the Northeast? Please fully explain the response.

- BSG-1-16.** Please refer to the Smith Testimony at page 18, lines 24-27. Please support, with documentation if available, Ms. Smith's statement that there will be a large difference in the cost of adding a new service on an existing distribution line, and the cost (justified by incremental revenues and customer contributions as required by the Department) of adding a customer that requires construction of a new distribution line.
- BSG-1-17.** Please refer to the Smith Testimony at page 19, lines 1-6. Ms. Smith states: "I expect that Boston Gas' system is dense relative to the nationwide sample." Please support this statement, using the referenced nationwide sample as the basis.
- BSG-1-18.** Please refer to Smith Testimony at page 19, line 17 Provide Ms. Smith's measure of density. Justify.
- BSG-1-19.** Please briefly describe the filed positions of full parties to this proceeding that would support Ms. Smith's claim that only 50% of the Attorney General's proposed revenue requirement will be adopted by the Department, as referred to on page 23, lines 6-17.
- BSG-1-20.** Please refer to the Smith Testimony at page 21, lines 26-29, page 22, lines 10-14, and page 23, lines 6-8. Is there any evidence that Boston Gas did not effect the maximum efficiency opportunities first, in order to then move on to the lesser efficiencies? If so, please provide copies of all such evidence and documentation.
- BSG-1-21.** Please refer to the Smith Testimony at page 23, lines 12-15. (a) List each of the "electric distribution companies that reduced their labor forces" as a result of competitive pressures and rate caps. (b) List each electric distribution company that reduced its labor force as a result of generation divestiture (and by force of law, such as St. 1997, ch. 164) or functional divestiture of transmission assets, the operational management of which has been turned over to the ISO in many regions.
- BSG-1-22.** Please refer to the Smith Testimony at page 23, lines 22 through 26. Justify by whatever means possible Ms. Smith's statement that a regulated utility would delay (until a test year) implementation of technological changes proven to benefit ratepayers through better and possibly increased distribution service and lower costs.
- BSG-1-23.** Please see the Smith Testimony at page 24, lines 9-10. Please identify what evidence would constitute "clear" evidence that a merger has resulted in a more efficient utility.
- BSG-1-24.** Please see the Smith Testimony at page 24, lines 14-20.

- (a) Please list all PBR plans that Ms. Smith is “familiar with” for (1) gas distribution utilities and (2) electric distribution utilities.
- (b) (1) Please provide the names of the gas utilities and the fundamental of the PBRs approved by the California Public Utilities Commission. (2) For each, please list the (i) name of the utility, (ii) the key provisions of the approved PBR, (iii) the docket number and (iv) the year approved.

BSG-1-25. In Ms. Smith’s opinion, is it possible for cost of service regulation to exist along side of PBR for different utilities in the same regulatory forum? If so, what criteria would Ms. Smith propose be adopted by the Department to determine which utilities be subject to a PBR and which should be subject to cost of service regulation? Please be specific.

BSG-1-26. Please see the Smith Testimony at page 24, lines 25-30, and page 25, lines 1-7. (a) Is traditional cost of service regulation the only alternative to a PBR? If not, please describe in detail other alternatives considered by Ms. Smith. (b) Would fully litigated cast-off rates plus a measure of inflation, present a workable alternative in Ms. Smith’s estimation? Please fully explain the answer. (c) Please fully explain both the benefit(s) and the detriment(s) to consumers of a return to cost of service regulation, in Ms. Smith’s opinion.

BSG-1-27. Please see the Smith Testimony at page 25, line 10-18. Is the risk of PBR truly greater than the potential reward to customers, or is it really a break-even? Please explain the answer.

BSG-1-28. Please see the Smith Testimony at page 25, lines 20-25. (a) How is this scenario different when a company is fully subject to cost of service regulation? Please explain in detail. (b) Does the power of the Department to ensure rates are just and reasonable impact Ms. Smith’s analysis? Please explain.